

**UNIVERSITI TEKNOLOGI MARA**

**AN ANALYSIS OF THE FACTORS  
DETERMINING COMPLIANCE  
BEHAVIOR OF BUSINESS ZAKAT  
AMONG OWNERS OF SMEs IN  
SELANGOR**

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Thesis submitted in fulfillment  
of the requirements for the degree of  
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## CONFIRMATION BY PANEL EXAMINERS

I certify that a panel of examiners has met on 30<sup>th</sup> April 2014 to conduct the final examination of Mohd Rahim bin Khamis on his Doctor of Philosophy thesis entitled “An analysis of the factors determining compliance behavior of business zakat among owners of SMEs in Selangor” in accordance with Universiti Teknologi MARA Act 1976 (Akta 173). The Panel of Examiners recommends that the students be awarded the relevant degree. The panel of Examiners was as follows:

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# AUTHOR’S DECLARATION

I declare that the work in thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledgement as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledged that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

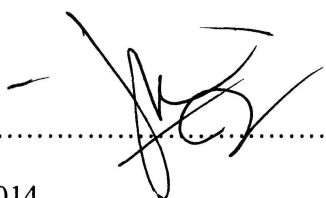
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## ABSTRACT

The total number of business zakat payers among Muslim business entrepreneurs is still small despite numerous efforts undertaken by the zakat authorities and the government to encourage Muslim entrepreneurs to pay business zakat. This has been the subject of much research and investigation in recent years and has led to the issue of compliance behavior of business zakat among Muslim entrepreneurs. Specifically, the small number of payers impacts the collection of zakat on business since business zakat has a huge potential as the main contributor in the total zakat collection. As such, the overall aim of this study is to analyze the factors determining compliance behavior of business zakat among owners of SMEs in Selangor. The analysis covers the measurement of the factors determining compliance behavior and the relationships between these determinant factors (religious practices, level of knowledge, length of business operation, organizational factors, government incentives, law enforcement and business profile i.e. business location and business category) with compliance behavior of business zakat. To this end, data collected from the 276 SMEs entrepreneurs was analyzed through two statistical methods; Rasch Measurement Model and logistic regression analysis. Summary statistics, item polarity, item and person fit and unidimensionality analysis revealed that the measurement instrument used was deemed acceptable after the removal of several item measures and person responses. Response behavior among the SME entrepreneurs was represented by two groups; those who complied with business Zakat payment and vice versa as shown through the Person Item Distribution Map (PIDM). Besides, logistic regression analysis was employed to test the eight formulated hypotheses. The analysis revealed that religious practices, level of knowledge, organizational factors, government incentives, business location and business category have significant relationships with compliance behavior of business zakat while, length of business operation and law enforcement were rejected. Finally, the theoretical, practical and methodological implications of the findings of this study are also discussed.

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